



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 9/25/2007

GAIN Report Number: JO7005

Jordan

Grain and Feed

Annual

2007

Approved by:

Peter Kurz

U.S.Embassy

Prepared by:

Mohammed Khraishy

Report Highlights:

Wheat imports for MY 2007/2008 are forecast to reach 800,000 tons, but little is expected to be imported from the U.S. For the same period, Jordan's barley imports are expected to reach 800,000 tons (none from the U.S.), corn imports, 430,000 tons (U.S. 78 percent); and rice imports, 138,000 tons (U.S. 32, percent).

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Amman [JO1]

[JO]

Table of Contents

| | |
|---|-----------|
| Executive Summary | 3 |
| Wheat Production and Consumption | 4 |
| Wheat Trade | 4 |
| Barley Production and Consumption | 6 |
| Barley Trade | 6 |
| Corn Production and Consumption | 8 |
| Corn Trade | 8 |
| Rice Production and Consumption | 10 |
| Rice Trade | 10 |
| Production and Price Policy..... | 11 |
| Market Development | 11 |

Executive Summary

Classified by the World Trade Organization (WTO) and Food and Agriculture Organization (FAO) as a net food importing country, Jordan is almost exclusively dependent on imports for its food and feed grain needs.

In 2007/08, wheat imports are forecast at 800,000 tons, roughly the same as the previous year. Russia is expected to be the leading supplier, followed by Syria and possibly Kazakhstan. High freight and commodity prices limit U.S. opportunities, but reportedly use of GSM-102 is being considered for wheat imports. Imports under the PL 480 Title I program are not available this marketing year.

Jordan's barley imports are expected to reach 800,000 tons, with none coming from the U.S. This is due to the availability of other competitive suppliers on one hand and the lower shipment costs from suppliers in the region on the other. Corn imports have recovered totally from avian influenza-related concerns to reach 477,000 tons, with 74 percent coming from the U.S. Rice imports are expected to exceed 138,000 MT, with 31 percent coming from the U.S.

The rainy season in Jordan ended with less than average precipitation; Output of the two main cereals (wheat and barley) produced in Jordan was below average. Jordan produces only 5-7 percent of its wheat consumption and only 3-5 percent of its barley consumption.

| PSD Table | | | | | | | | | | |
|--------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|-----------|
| Country | Jordan | | | | | | | | | |
| Commodity | Wheat | | | | | | (1000 HA) | (1000 MT) | (MT/HA) | |
| | 2005 | Revised | | 2006 | Estimate | | 2007 | Forecast | | UOM |
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 07/2005 | 07/2005 | | 07/2006 | 07/2006 | | 07/2007 | 07/2007 | MM/YYYY |
| Area Harvested | 65 | 0 | 70 | 65 | 0 | 70 | 65 | 0 | 70 | (1000 HA) |
| Beginning Stocks | 323 | 0 | 180 | 477 | 0 | 163 | 382 | 0 | 161 | (1000 MT) |
| Production | 55 | 0 | 20 | 55 | 0 | 20 | 55 | 0 | 20 | (1000 MT) |
| MY Imports | 999 | 0 | 713 | 700 | 0 | 728 | 800 | 0 | 800 | (1000 MT) |
| TY Imports | 999 | 0 | 713 | 700 | 0 | 728 | 800 | 0 | 800 | (1000 MT) |
| TY Imp. from U.S. | 19 | 0 | 19 | 74 | 0 | 42 | 0 | 0 | 0 | (1000 MT) |
| Total Supply | 1377 | 0 | 913 | 1232 | 0 | 911 | 1237 | 0 | 981 | (1000 MT) |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Consumption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| FSI Consumption | 900 | 0 | 750 | 850 | 0 | 750 | 850 | 0 | 800 | (1000 MT) |
| Total Consumption | 900 | 0 | 750 | 850 | 0 | 750 | 850 | 0 | 800 | (1000 MT) |
| Ending Stocks | 477 | 0 | 163 | 382 | 0 | 161 | 387 | 0 | 181 | (1000 MT) |
| Total Distribution | 1377 | 0 | 913 | 1232 | 0 | 911 | 1237 | 0 | 981 | (1000 MT) |
| Yield | 0.85 | 0 | 0.29 | 0.85 | 0 | 0.29 | 0.85 | 0 | 0.29 | (MT/HA) |

Wheat Production and Consumption

Wheat for human consumption is steady, but total consumption is forecast to increase because some wheat will be diverted for use in animal feed. Wheat is subsidized, while the subsidy on barley has been partially lifted, resulting in some wheat and low-quality bread being illegally diverted for livestock feed use, an increasingly common practice used to exploit the subsidy system. Jordan produces less than 10 percent of its domestic needs.

Wheat Trade

In 2007/08, wheat imports are forecast at 800,000 tons, roughly the same as the previous year. Wheat imports are being influenced by global market volatility and accelerating prices. The GOJ declined offers during some trade tenders to avoid what were perceived to be peaks in high prices, only to see prices continue to rise. In addition, there were insufficient number of importers submitting tender offers.

Syria is expected to be one of the main wheat sources, even though the two countries have yet failed to fulfill an agreement that was signed by their prime ministers, which committed Syria to providing Jordan with 500,000 tons of wheat within the 2007 calendar year. As a result of Syria's shorter crop, only 250,000 tons have been shipped under this agreement.

The final total shipped under this agreement in 2007 is not expected to exceed an 300,000 tons.

Meanwhile, with supplies from other key exporters dwindling, millers and the GOJ are hopeful that Kazakhstan can supply wheat in late 2007 and onward, per a memo of understanding signed between the two countries to provide 400,000 tons of Kazakh wheat. The Ministry of industry and trade (MoIT) wants to directly purchase wheat from Kazakh producers, then contract local and international shipment contractors to transport it to Jordan; thereby, cutting the costs by US\$ 50 per ton by eliminating traders/brokers.

Russia has been the major wheat supplier since the beginning of the 2007/08 marketing year, with landed prices for Russian wheat being the most price competitive.

The U.S. wheat market share has diminished due to high prices in general, and increasing freight prices from the U.S. in particular. The United States has stopped supplying Jordan under P.L. 480 I program since last marketing year, yet Jordanians still long for any program that would enable them to import American wheat which they consider would improve any baked product, "as Jordanian baking industry believes." The Jordanian chairman of the tender committee said in a formal meeting that with new global price increases, the main barrier to U.S. wheat imports is the freight cost. Jordan is also considering buying U.S. wheat under the GSM 102 program.

| Import Trade Matrix | | | |
|----------------------------|-----------|------------|---------|
| Country | Jordan | | |
| Commodity | Wheat | | |
| Time Period | June/July | Units: | 1000 MT |
| Imports for: | 2006 | | 2007 |
| U.S. | 42 | U.S. | 0 |
| Others | | Others | |
| Syria | 350 | Syria | 200 |
| Kazakhstan | 200 | Kazakhstan | 200 |
| Germany | 100 | Russia | 300 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 650 | | 700 |
| Others not Listed | | | |
| Grand Total | 692 | | 700 |

| PSD Table | | | | | | | | | | |
|--------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------------------|---------------|-------------------|-----------|
| Country | Jordan | | | | | | | | | |
| Commodity | Barley | | | | | | (1000 HA)(1000 MT)(MT/HA) | | | |
| | 2005 | Revised | | 2006 | Estimate | | 2007 | Forecast | | UOM |
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 07/2005 | 07/2005 | | 07/2006 | 07/2006 | | 07/2007 | 07/2007 | MM/YYYY |
| Area Harvested | 70 | 0 | 70 | 70 | 0 | 70 | 70 | 0 | 70 | (1000 HA) |
| Beginning Stocks | 276 | 0 | 180 | 259 | 0 | 163 | 229 | 0 | 161 | (1000 MT) |
| Production | 20 | 0 | 20 | 20 | 0 | 20 | 20 | 0 | 20 | (1000 MT) |
| MY Imports | 713 | 0 | 713 | 600 | 0 | 728 | 600 | 0 | 800 | (1000 MT) |
| TY Imports | 811 | 0 | 713 | 600 | 0 | 728 | 600 | 0 | 800 | (1000 MT) |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Supply | 1009 | 0 | 913 | 879 | 0 | 911 | 849 | 0 | 981 | (1000 MT) |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Consumption | 750 | 0 | 750 | 650 | 0 | 750 | 650 | 0 | 800 | (1000 MT) |
| FSI Consumption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Consumption | 750 | 0 | 750 | 650 | 0 | 750 | 650 | 0 | 800 | (1000 MT) |
| Ending Stocks | 259 | 0 | 163 | 229 | 0 | 161 | 199 | 0 | 181 | (1000 MT) |
| Total Distribution | 1009 | 0 | 913 | 879 | 0 | 911 | 849 | 0 | 981 | (1000 MT) |
| Yield | 0.285714 | 0 | 0.285 | 0.2854 | 0 | 0.285 | 0.285 | 0 | 0.285 | (MT/HA) |

Barley Production and Consumption

Jordan is one of the heaviest subsidizers of barley in the region and this has created and encouraged barley smuggling, directly or indirectly. Directly, grains are smuggled into Iraq and Saudi Arabia and indirectly by introducing Syrian and Saudi lambs into Jordan for feeding and then re-exporting the sheep. This practice has led to an approximate 20 per cent increase in the Jordanian import of barley. Last season's domestic barley production was negatively affected by erratic rainfalls. Barley is mainly used for sheep feed and to a lesser extent for cattle and poultry.

Barley Trade

Historically, the GoJ has monopolized barley imports, but as of September 2007, the government decided to withdraw from the barley trade, and to change from subsidizing barley prices, to providing direct monetary payments to livestock owners. The new system excludes commercial and big ownerships. Political pressure led the GoJ to withdraw this ambitious plan and replace it with a new one that has two phases: the first phase will continue at a reduced rate subsidized barley for targeted producers, only sheep- and goat-

owners will receive the subsidized barley. This program excludes cattle and poultry farmers from receiving subsidized barley as these 2 agricultural businesses are considered industries. In phase two, GoJ will eliminate all feed subsidies; the targeted date is March 2008. Even this optimistic plan might be altered, with new global barley prices exceeding USD 435 per ton as of September 2007. The GoJ has issued an annexed budget to cover price rises for both feed and oil which is also subsidized.

No recent barley imports from the U.S. were recorded due to high prices and high shipment costs. One new Jordanian barley source may be Kazakhstan, with which a memo of understanding was signed to provide Jordan with 100,000 tons of Kazakh barley, which, as in the case of wheat, the MoIT wants to directly purchase and then ship without using traders/brokers.

Since 1999, Ukraine has been the major barley supplier with Germany ranking second. The GOJ has been the sole importer of barley and sets the selling price; recently, the GOJ increased its selling price of barley to JD 150 (= USD 210) per MT for livestock producers and 250 (=USD 350) per MT for retailers.

| Import Trade Matrix | | | |
|----------------------------|-----------|---------|-------------|
| Country | Jordan | | |
| Commodity | Barley | | |
| Time Period | July/June | Units: | 1000 MT |
| Imports for: | 2006 | | 2007 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Ukraine | 400 | Germany | 425 |
| BLACK SEA | 300 | Ukraine | 275 |
| | | France | 100 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 700 | | 800 |
| Others not Listed | | | |
| Grand Total | 700 | | 800 |

| PSD Table | | | | | | | | | | |
|--------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|-----------|
| Country | Jordan | | | | | | | | | |
| Commodity | Corn | | | | | | (1000 HA) | (1000 MT) | (MT/HA) | |
| | 2005 | Revised | | 2006 | Estimate | | 2007 | Forecast | | UOM |
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 10/2005 | 10/2005 | | 10/2006 | 10/2006 | | 10/2007 | 10/2007 | MM/YYYY |
| Area Harvested | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | (1000 HA) |
| Beginning Stocks | 16 | 0 | 16 | 40 | 0 | 40 | 41 | 0 | 41 | (1000 MT) |
| Production | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | (1000 MT) |
| MY Imports | 423 | 0 | 423 | 400 | 0 | 477 | 400 | 0 | 500 | (1000 MT) |
| TY Imports | 423 | 0 | 423 | 400 | 0 | 477 | 400 | 0 | 500 | (1000 MT) |
| TY Imp. from U.S. | 366 | 0 | 366 | 0 | 0 | 375 | 0 | 0 | 400 | (1000 MT) |
| Total Supply | 440 | 0 | 440 | 441 | 0 | 518 | 442 | 0 | 542 | (1000 MT) |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Consumption | 400 | 0 | 400 | 400 | 0 | 477 | 400 | 0 | 500 | (1000 MT) |
| FSI Consumption | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Total Consumption | 400 | 0 | 400 | 400 | 0 | 477 | 400 | 0 | 500 | (1000 MT) |
| Ending Stocks | 40 | 0 | 40 | 41 | 0 | 41 | 42 | 0 | 42 | (1000 MT) |
| Total Distribution | 440 | 0 | 440 | 441 | 0 | 518 | 442 | 0 | 542 | (1000 MT) |
| Yield | 1 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 1 | (MT/HA) |

Corn Production and Consumption

Jordan's locally produced corn is mostly used as corn-on-the cob for human consumption. Corn consumption is forecast to increase to 500,000 tons to meet the growing demand of expanding poultry industry.

Corn Trade

Imports of corn from the United States have increased significantly due to the Free Trade Agreement signed between Jordan and the United States, under which imports of American corn no longer face a 5.2 percent Jordanian import tariff. Corn is imported in bulk by the private sector, to meet the demand of poultry industry that is considered the biggest agri-business in Jordan, with investment size estimated as USD 1.4 billion.

For MY2007/2008, corn imports are expected to rise to substitute for part of the barley market share. In September 2007, currently is cheaper than barley. Additionally, the new ethanol industry bi-product, Dry Distilled Grains (DDGs), might find a way to the country under a trial basis during the coming marketing year. The United States accounts for 78 percent of imports. Other suppliers are Argentina, Ukraine, and Turkey.

| | | | |
|----------------------------|-----------------|-----------|----------------|
| Import Trade Matrix | | | |
| Country | Jordan | | |
| Commodity | Corn | | |
| Time Period | Oct/Sept | Units: | 1000 MT |
| Imports for: | 2006 | | 2007 |
| U.S. | 366 | U.S. | 375 |
| Others | | Others | |
| Argentina | 66 | Argentina | 58 |
| Ukraine | 18 | Ukraine | 16 |
| Turkey | 26 | Turkey | 22 |
| | | Brazil | 4 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 110 | | 100 |
| Others not Listed | 1 | | 2 |
| Grand Total | 477 | | 477 |

PSD Table

| PSD Table | | | | | | | | | | |
|----------------------|---------------|---------------|-------------------|---------------|---------------|-------------------|---------------------------|---------------|-------------------|----------|
| Country | Jordan | | | | | | | | | |
| Commodity | Rice, Milled | | | | | | (1000 HA)(1000 MT)(MT/HA) | | | |
| | 2005 | Revised | | 2006 | Estimate | | 2007 | Forecast | | UOM |
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 01/2006 | 01/2006 | | 01/2007 | 01/2007 | | 01/2008 | 01/2008 | MM/YYYY |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 HA |
| Beginning Stocks | 67 | 0 | 27 | 95 | 0 | 27 | 80 | 0 | 27 | (1000 MT |
| Milled Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT |
| Rough Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT |
| Milling Rate (.9999) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT |
| MY Imports | 168 | 0 | 132 | 125 | 0 | 138 | 125 | 0 | 135 | (1000 MT |
| TY Imports | 168 | 0 | 132 | 125 | 0 | 138 | 125 | 0 | 135 | (1000 MT |
| TY Imp. from U.S. | 0 | 0 | 66 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT |
| Total Supply | 235 | 0 | 159 | 220 | 0 | 165 | 205 | 0 | 162 | (1000 MT |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT |
| Total Consumption | 140 | 0 | 132 | 140 | 0 | 138 | 140 | 0 | 135 | (1000 MT |
| Ending Stocks | 95 | 0 | 27 | 80 | 0 | 27 | 65 | 0 | 27 | (1000 MT |
| Total Distribution | 235 | 0 | 159 | 220 | 0 | 165 | 205 | 0 | 162 | (1000 MT |
| Yield (Rough) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (MT/HA) |

Rice Production and Consumption

Jordan is one of the eight driest countries in the world, and there is no rice production. Nonetheless, rice is one of the main staples of the Jordanian diet. Average consumption is about 25 kg per person per year. The preferred variety is medium grain (Camolino), which constitutes 90 percent of imports.

Rice Trade

The rice trade is conducted by the private sector. Imports in 2006 were 138,000 MT, of which 42,776 metric tons came from the United States. The figure is expected to increase slightly, but with a decline in U.S. market share due to high prices in general and low prices of competitive Egyptian rice that enjoy lower shipment costs.

In addition to the United States, major suppliers are Egypt, Australia, Thailand, India and Pakistan. Total rice imports during 2006 are at the same level as 2005, but with Egypt contributing a larger share. Although Australian rice is a major competitor, an import increase is not expected to take place in 2007 due to the fact that the Australian harvest was poor for the third consecutive year. Thus, competition for medium grain rice was strong between the U.S. and Egypt. Egyptian rice is imported bagged and in small vessels. U.S. rice is imported in bulk and is bagged in Jordan. Imports of consumer packaged parboiled long grain and Basmati rice during 2006 are estimated at 30,000 metric tons. U.S. long grain rice exports face strong competition from Thailand and Pakistan.

| | | | |
|----------------------------|--------------|-----------|---------|
| Import Trade Matrix | | | |
| Country | Jordan | | |
| Commodity | Rice, Milled | | |
| Time Period | Jan/Dec | Units: | 1000 MT |
| Imports for: | 2006 | | 2007 |
| U.S. | 43 | U.S. | 50 |
| Others | | Others | |
| Egypt | 49 | Egypt | 50 |
| Thailand | 10 | Thailand | 10 |
| India | 9 | India | 10 |
| Pakistan | 5 | Pakistan | 5 |
| Australia | 16 | Australia | 3 |
| Italy | 4 | Italy | 6 |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 93 | | 84 |
| Others not Listed | 2 | | 4 |
| Grand Total | 138 | | 138 |

Production and Price Policy

Despite all market reforms implemented during the last decade, the GOJ continues to be the sole importer of wheat and barley. The GOJ also sets the prices for wheat it sells to millers and sets the prices at which millers sell flour prices to bakers. It also continues to set retail prices for a type of bread known as unified and *baladi* bread. The unified type of bread accounts for 90 percent of Jordan's wheat consumption. The price of wheat sold to millers is JD 90/MT. The price of flour is JD 117/MT for the unified bread. In addition, the GOJ continues its grain subsidy policy whereby it encourages farmers to plant wheat and barley and then purchases these crops at higher-than-market prices. Price support is announced every year before the planting season. In MY 2006/2007, GOJ purchased 11,000 MT of wheat at JD 200/MT and 19,000 tons of barley at JD 160/MT.

Market Development

Jordan will continue to import most of its wheat and barley needs and all of its corn and rice requirements. Jordan has no access to utilize programs tailored to facilitate U.S. exports such as PL 480 Title I, yet it still aspires to use credit guarantee programs like GSM 102 that is historically considered by Jordan government as expensive. Financing will continue to be a decisive factor in Jordan's purchasing decisions due to Jordan's limited foreign exchange and its budgetary constraints.

Since corn is imported mainly for poultry feed, one should expect an increase in imports due to a decrease in avian influenza fears and second because consumers were forced to rely more on poultry due to price comparative advantage over expensive sheep meat. Volatility

in the feed market has raised fears among Jordanian producers and consumers, and it is expected that these concerns and their subsequent political impact will be the major driving force for the government of Jordan's decision-makers. The government is now fully aware that the feed subsidy policy cannot be indefinitely sustained, yet cannot politically afford to withdraw from the subsidy course. The subsidy issue is expected to be resolved during this marketing year.

USDA Cooperators (U.S. Wheat Associates, U.S. Grains Council, and the U.S. Rice Federation) provide valuable in-country technical assistance such as educational workshops, in-store promotions, and trade service programs, as well as training for Jordanians inside and outside Jordan. These cooperators have amassed extra value for their respective products that has served as a barrier to competitive products from other sources.